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CORPORATION FILE

Safeway Stores, Incorporated • Annual Report • 1974

Messrs. Reynolds, Mitchell, and Magowan take a look at sub-primal cuts of beef being prepared for shipment to the stores.

To Safeway Shareholders, Customers and Employees:

We are pleased to report a significant gain in volume during a difficult year for both the food business and the general economy. Sales reached a new level of $8.185 billion, double just five years ago. The 1974 total was approximately 21% above the previous year, when results were affected by supply shortages and major year-end strikes in several key areas.

Net income came to $79.2 million ($3.07 per share) as compared to $86.3 million ($3.35 per share) in 1973. As explained in the Financial Review, in 1974 the Company changed to the LIFO method of valuing approximately $367 million of its consolidated merchandise inventories, representing 56% of such inventories at year-end. This resulted in a diminution of net income in the amount of $42,302,000, or $1.64 per share of common stock.

Our thoroughgoing expense control program has continued to bear fruit. Expense rates as a percentage of sales have gone down steadily over the past decade—from 18.3% in 1964 to 16.7% currently. We attribute this to concerted efforts by many thousands of well trained employees who have applied strict discipline to dollar expenditures all down the line.

Our building program has been another strength. During the year we opened 164 new stores, somewhat exceeding our corporate goal of 150, while closing 102 obsolete ones. The new stores average approximately 25,000 square feet in size, versus 15,000 in the closed units.

This program has not only helped to maintain a sound physical plant, but has provided opportunities for our growing work force in numerous occupational lines. Just in retail supervisory positions alone (allowing for new stores, retirements, and normal personnel turnover) in 1975 we have plans for training and placing 40 new District Managers, 307 new Store Managers, 592 new Assistant Store Managers, 288 new Meat Department Managers and 507 new Produce Department Managers. Thanks to our continuing management development programs we will have qualified men and women ready.

We have activated the position of Regional Manager, Canada and Overseas, to assist in the orderly development of our expanding international business. Newly appointed to the post is John S. Kimball, formerly manager of the United Kingdom and Germany operations. Although subject to many challenges common to the world economic scene, our international program continues to be a bright spot.

Effective at year-end Quentin Reynolds retired as an officer of the Company, but continues in an active capacity as a Director and Chairman of the Board. Other management changes included the retirements of vice presidents Louis A. Bianco and Alan Young (with 43 and 32 years of service, respectively), and promotions to that title of Allen Francis, Harold Lekic and Sterling Smith.

During the year the Board of Directors established an Audit Committee, consisting of non-employee Directors R. A. Magowan, Ernest C. Arbuckle, and J. G. Boswell II. Its general functions are to make recommendations regarding selection of the independent certified accountants, to review their reports, and to confer with them on the adequacy of internal financial controls.

As explained elsewhere in this report, one corporate image we strive constantly to maintain is that of being a "good neighbor". A reputation for genuine friendliness and human interest is an intangible that cannot readily be duplicated by others, and it can give us an important plus.

Indications are that unsettled economic conditions will continue for some time. Although presenting numerous problems to any business concern, we believe this climate also provides an opportunity to enhance our reputation for good values. Consumers are perhaps more interested now than at any time in recent memory in obtaining quality satisfaction at reasonable prices, and we believe Safeway can continue to help them get the most for their food dollars. To the extent we accomplish this goal, 1975 (53 weeks) should be another successful year.

W. A. Mitchell
President and Chief Executive Officer

Quentin Reynolds
Chairman of the Board

Robert A. Magowan
Chairman of the Executive Committee

March 1, 1975

	1974	1973
Sales	$8,185,190,000	$6,773,687,000
Net Income	$79,205,000*	$86,271,000
Per Share	$3.07*	$3.35

*Reflects adoption of LIFO method of valuation of certain inventories.

SAFEWAY'S CORPORATE OBJECTIVES

To make Safeway stock an increasingly profitable investment for our shareholders.

To practice responsible citizenship in the conduct of our business, and in community and social relations.

To satisfy increasing numbers of customers, at a profit sufficient to assure the continuing healthy growth of the Company.

To provide attractive, convenient stores staffed with courteous employees, and stocked with the products customers want.

To be known for superior perishables—meats, produce, dairy products, and baked goods.

To operate efficiently at the lowest costs consistent with quality and growth.

To be alert to new ideas, opportunities, and change.

To strengthen our organization by continuous and systematic training and development of employees and managers.

To offer our employees responsibility, challenge, and satisfying rewards for accomplishment.

Financial Highlights

Summary of Earnings	Sales
	Cost of sales
	Gross profit
	Operating and administrative expenses
	Operating profit
	Interest expense
	Other charges (credits) net
	Income before provision for income taxes
	Income taxes
	Net income
	As a percent of sales
	As a percent of average stockholders' equity
	Per average weighted share of common stock
	Dividends declared per share of common stock
Financial Position	Working capital
	Current assets per dollar of current liabilities
	Total assets
	Long-term notes and debentures
	Equity of common stockholders
	Per share of common stock
Changes in Financial Position (during year)	Funds provided from:
	Operations
	Net income
	Charges to income not requiring funds
	Depreciation and amortization
	Other
	Total from operations
	Sale of properties
	Issuance of long-term debt
	Decrease in working capital
	Other
	Total
	Funds used for:
	Additions to properties (net)
	Dividends to stockholders
	Increase in working capital
	Other
	Total
Other Statistics	Number of employees (at end of year)
	Number of stockholders of record (at end of year)
	Number of stores opened during year
	Number of stores closed during year
	Total stores at end of year
	Total square feet of stores at end of year[1]
	Average annual sales per store
	Common stock price range
	New York Stock Exchange

Note: Dollars are in thousands except per share figures. [1] In thousands.

and Ten Year Summary

1974	1973	1972	1971	1970 (53 Weeks)	1969	1968	1967	1966	1965
$8,185,190	6,773,687	6,057,633	5,358,837	4,860,167	4,099,647	3,685,690	3,360,880	3,345,187	2,939,043
6,658,282	5,457,097	4,846,246	4,272,273	3,865,736	3,249,167	2,894,775	2,641,439	2,618,473	2,299,708
1,526,908	1,316,590	1,211,387	1,086,564	994,431	850,480	790,915	719,441	726,714	639,335
1,370,715	1,150,037	1,035,116	928,128	848,281	737,584	672,376	616,005	605,491	540,217
156,193	166,553	176,271	158,436	146,150	112,896	118,539	103,436	121,223	99,118
18,005	11,857	9,560	5,470	4,814	3,136	2,427	3,504	2,616	2,238
(2,425)	(2,621)	(1,653)	(2,161)	874	1,150	586	(196)	814	1,730
140,613	157,317	168,364	155,127	140,462	108,610	115,526	100,128	117,793	95,150
61,408	71,046	77,308	74,948	71,570	57,305	60,465	49,235	58,045	46,965
79,205	86,271	91,056	80,179	68,892	51,305[2]	55,061	50,893	59,748	48,185
.97%	1.27	1.50	1.50	1.42	1.25	1.49	1.51	1.79	1.64
11.74%	13.67	15.81	15.38	14.44	11.60	13.20	12.97	16.45	14.41
$ 3.07	3.35	3.55	3.14	2.70	2.14[3]	2.16	2.00	2.35	1.89
1.70	1.50	1.35	1.30	1.15	1.10	1.10	1.10	1.02½	1.00
$ 170,685	223,732	237,370	174,784	159,396	140,756	154,559	137,668	136,582	140,891
1.26	1.43	1.64	1.51	1.53	1.51	1.73	1.70	1.69	1.83
1,490,166	1,341,220	1,137,375	964,471	875,705	788,714	698,488	653,546	640,673	576,703
104,780	129,280	128,123	50,208	46,379	27,180	30,736	34,104	37,259	40,378
693,077	656,244	606,305	545,867	497,048	457,192	430,586	403,541	380,262	346,139
26.81	25.44	23.57	21.35	19.49	17.94	16.89	15.87	14.96	13.66
$ 79,205	86,271	91,056	80,179	68,892	54,593[3]	55,061	50,893	59,748	48,185
80,150	69,991	62,891	55,178	50,579	46,638	44,158	41,643	38,750	37,350
5,481	7,694	6,606	965	4,820	5,418	5,990	(251)	6,025	5,535
164,836	163,956	160,553	136,322	124,291	106,649	105,209	92,285	104,523	91,070
117,237	47,513	70,225	82,131	39,116	45,010	49,389	39,191	32,112	41,451
—	—	65,000	—	20,000	—	—	—	—	—
53,047	13,639	—	—	—	13,803	—	—	4,471	—
3,358	23,067	19,039	8,594	13,621	23	—	19,779	412	11,972
$ 338,478	248,175	314,817	227,047	197,028	165,485	154,598	151,255	141,518	144,493
$ 257,186	202,986	210,986	173,206	143,939	129,089	103,019	117,311	101,766	90,558
43,926	38,640	34,636	33,200	29,315	28,036	28,036	27,975	26,039	25,549
—	—	62,586	15,388	18,640	—	16,891	3,086	—	728
37,366	6,549	6,609	5,253	5,134	8,360	6,652	2,883	13,713	27,658
$ 338,478	248,175	314,817	227,047	197,028	165,485	154,598	151,255	141,518	144,493
121,355	117,721	105,613	97,463	96,760	91,532	83,655	78,000	74,798	69,248
60,822	62,767	65,471	67,576	69,098	73,193	72,793	73,851	72,609	66,651
164	143	142	121	128	117	123	134	168	177
102	110	94	135	91	98	119	117	113	139
2,426	2,364	2,331	2,283	2,297	2,260	2,241	2,237	2,220	2,165
50,159	46,480	44,844	42,752	41,769	40,169	39,033	37,850	35,402	32,951
$ 3,360	2,831	2,613	2,308	2,094	1,782	1,612	1,475	1,514	1,349
43⅞-29⅝	44⅛-27¼	44¼-34	40¼-32⅛	34⅜-22⅛	30¼-23½	31¼-23¼	28⅛-21⅜	31½-23⅝	42¼-30⅛

[2] Excluding extraordinary gain in 1969 of $3,288,000, net of applicable income taxes, equal to $0.13 per share. [3] Including extraordinary gain in [2] above.

The Oregonian

THURSDAY, JULY 18, 1974

84 PAGES

Safeway in Portland ends paste-over prices

By YVONNE ROTHERT
of The Oregonian staff

Portland-area Safeway ... Rudd concluded. "Some may elect not to take the price increase in flour, for

Safeway Won't Raise Food Prices on Shelf

Policy Will Limit Markups to New Items; Lowest Cost on Package Will Be Charged

WASHINGTON (AP) — ... Stores, Inc., the ... largest super- ... chain, announced ... day it would stop ... the traditional ... practice of mark- ... prices on food al- ... stocked on shelves. ... company, with 1,950 ... coast to coast sell- ... than $6.7 billion ... food annually, ... that cans or pack- ... aring more than ... would be sold at ... price.

Carol Tucker Foreman, executive director of the Consumer Federation of America, said the Safeway policy was "cosmetic consumerism," because the chain is a member of the ...

Independent-Journal

SERVING ALL OF MARIN COUNTY

10 SAN RAFAEL, CALIFORNIA, MONDAY, JULY 22, 1974 EDITORIAL PAGE

TODAY'S EDITORIAL

Safeway Eliminates A Consumer Gripe

Safeway, the nation's largest food retailer, last week announced a new price policy that wins consumer acclaim and will, hopefully, set an example for others to follow.

Safeway Vice President John Bell promised not to ... prices on stocks alr... shelves when new ... creases occur.

TO THE MARIN ... this means that whe... his cart through th... car do so at ...

under old prices were being resold at exorbitant profit. It is a rip-off of the helpless consumer, caught in the worst inflation spiral since 1951.

Safeway's new pledge will have more than just a soothing effect on irritated nerves. In its ...

Single Price Plan Begins

The day of the multi-marked price tag on products is over at Safeway stores, according to a company announcement last week.

Safeway Stores, Inc., announced that when forced to raise prices it would not do so on price-marked items of merchandise. Any items marked with more than one price would be sold at the lowest price marked, according to F. E. MacRae, division manager.

"While in normal times price increases and decreases tend to balance out, increases are currently exceeding decreases and this program ...

Give Light And The People Will Find Their Own Way

El Paso Herald-Post

A SCRIPPS HOWARD NEWSPAPER

ROBERT W. LEE, Editor

Mills avenue and Kansas street

Phone 532-1661

SECTION A, PAGE 4

SATURDAY, JULY 20, 1974

Customer's Always Right

As though paying for groceries weren't tough enough, supermarket customers have been exposed to ... usually traumatic experience ... should have no effect on the price of the beans that arrived on the retail shelf yesterday or last week.

Well, one nation-wide supermarket ...

San Francisco Ex...

MONARCH

☆☆

SU 1-2424

WEDNESDAY, JULY 17, 1974

A new Safeway price policy

By James A. Finefrock

Safeway, the Bay Area's largest supermarket chain and the nation's largest food retailer, pledged today it would not raise prices on products already on the ... when new price ... occur.

...rices will sell at lowest

The Consumer Federation of America called Safeway's new price policy "cosmetic consumerism," but San Francisco Consumer Action said it was "a step in the ... right direction, although ...

Jose Mercury

More Than a ...

BUSINESS

8 Scottsdale (Az.) Daily Progress

Thurs., July 18, 1974

Safeway ends price confusion

WASHINGTON (UPI) — Safeway Stores Inc., which sells more food to the American public than any other chain, said today that it will no longer "confuse and irritate" its customers by putting new price stickers on top of old ones when prices go up.

not be affected, Safeway sa... but most merchandise will ...

During Bell's news conf... ence at a downtown ho... representatives of the C... sumer Federation of Amer... handed out leaflets accus... Safeway ...

Consumer Gets Break

WASHINGTON (AP)— Safeway Stores Inc., the nation's largest supermarket chain, announced today it plans to stop marking up prices on most products already stocked on shelves.

"When we are forced to make a price increase, cans and packages which are already price marked will be sold out at the old ...

THE WALL STREET JOURN...

Safeway Sets Price Policy To Help Fight Inflation

By a WALL STREET JOURNAL Staff Reporter

OAKLAND, Calif. — Safeway Stor... Inc. announced a new pricing poli... that it said was aimed at helping c... sumers fight inflation.

Safeway said its new pricing poli...

THE GLOBE AND MAIL, THURSDAY, JULY 18, 1974

Chain won't mark up goods on its shelves

WASHINGTON (AP) — Safeway Stores Inc., the largest supermarket chain in the United States announced yesterday it plans to stop marking up prices on most products already stocked on shelves.

... are forced to- ... bears two prices the product will be sold at the lower price, and if a price is lowered, all foods bearing the old higher price will be marked with the new lower price.

Mr. Bell said the new pricing policy will go into effect about July 28. He said it will cover meats, groceries, pro... non-food products.

Fair play from Safeway

If the wholesale price on a food item drops, obviously a grocery store can't afford to lower the retail price on the cans of that item that are already on the shelves. The cans already on the shelves were purchased at a higher wholesale price. The merchant has the right and usually the economic necessity to sell off the old cans at the old, higher price.

But in the far-more-common situation of wholesale prices rising ... it is unfair to the custo... up the price on t... because the wholes... new cans is higher ... unnecessarily and ... price on the old cans ... lower wholesale pric... jargon of the day, a ...

Safeway Stores, Inc. ... that realization and ... chain-wide decision ... pricing practice. The ... gone out to all Safeway ... stop marking up the p... already stocked ...

receiving is going to bring pressure on the entire industry to play square with the consumer.

One critic of the move has commented that not re-marking prices on food that has already ... marked isn't ... because Safe... labor costs of ... But isn't tha... to proceed? ... pricing eats u... gained ...

Flexible price policy

The practice of most major food chains ... maintaining a single price on supermarket item... within a given store did not particularly anno... consumers when prices rose and fell moderately ... — the uniform price tended to balance out in th... end. But there is no balance when the price ... move in one direction, and because that direction ... has been relentlessly upward, remarking of food ... prices has become a major irritant to shoppers. ... Thus, the announcement by Safeway Stores, ... Inc., the nation's largest chain, that it would no ... longer remark food items to reflect higher ... wholesale costs offers as much relief as taking ... off a tightly pinching shoe.

Safeway is a business, and though com... mendable, its new policy is not altruistic. The ... company has experimented ...

OKLAHOMA C...

276,209
Evening-Morning Daily
Paid Circulation
Average in June

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56 PAGES—OKLAHOMA CIT...

VOL. LXXXV, NO. 126

Safeway Halts Price Hikes On In-Stock Merchandise

By Ed Kelley

Safeway Stores, Inc., the nation's largest supermarket chain, announced today that it plans to stop marking up ... most products already stocked on shelves.

... manager ... three-fold.

"When we are forced to make a price increase, ... and packages which are already price-marked w... sold out to the old price," he said.

Second, Templeman said that when a price is l... the new lower price, inclu... higher ...

Repricing Gets Shelved

By Marian Burros

"To practice responsible citizenship..."

Those press clippings on the opposite page testify to the impact made by Safeway's new pricing policy when it was announced in July, 1974.

The announcement said that henceforth whenever it became necessary to increase a price on any item, we would not change the merchandise already pricemarked, but would sell it at the old, lower price. However, when our price *decreased* on an item we would immediately mark the lower price on all shelf stock; and any packages marked with two prices would be sold at the lower of the two.

This news was favorably received, as evidenced by the clippings, and a similar policy has since been adopted by many in the industry.

In other directions too, Safeway continues its programs to help consumers. For example we have unit pricing in a majority of our U.S. stores. We run "Inflation Fighter" tips in our ads, on how to stretch the food dollar. We have open dating on our S-Brand labels and are putting complete nutritional information on more and more items.

Some retail divisions have set up "Consumer Information Centers" in the stores (see photo bottom right) where customers can help themselves to recipes, booklets, and pamphlets. These include such titles as "Beef Cuts and How to Cook Them," "How to Identify and Prepare Cuts of Lamb," "Budget Meals with Dairy Foods," "Consumer Product Information" (Govt. pamphlet), etc.

Another of our major objectives as a corporate good citizen is to provide greater employment and promotion opportunities to women. As one example, at year-end 1974 we had 8 female Store Managers and 27 female Assistant Managers. There were 55 women in training to become Assistant Store Managers, compared with only 25 in 1973.

Women also hold such jobs as Produce and Meat Department Manager, Buyer, Construction Superintendent, Engineer, Plant Supervisor, Fork Lift Operator, and Truck Driver. In 1974 for the first time a woman was appointed Division Controller (Little Rock), the top accounting and financial position in a retail division (see photo at right).

A further continuing program of the Company is hiring and training minority persons, and assuring them of an opportunity to advance. The career of one such person has proved most rewarding. He is Tony Kidd, 24 (pictured at right), who became an outstanding store employee and was promoted to Employment Counselor for Omaha Division's JOBS program. Tony knows what it is like to be from a disadvantaged background and out of a job. He has been there.

In 1974 the National Alliance of Businessmen invited Tony to address their annual meeting in Washington, D.C. as a featured speaker. Besides working for Safeway, he is Omaha NAB Youth Director and serves on a task force engaged in motivating potential dropouts to stay in school.

Pres. Mitchell and Training Executive Alice Lonsdale talk with Bonnie Lenzio, then an Assistant Store Manager. Bonnie has since been promoted to Store Manager.

At left above is Jackie Archer, our first woman Retail Division Controller (Little Rock Division). On the right is Tony Kidd, counselor and trainer in our Omaha Division minority program, hired as a store clerk four years ago. The young lady below is using the consumer information service in a Spokane store.

Now It's Houston Division, Five Years After First Store

In 1970 we opened our first store in fast growing Houston, Texas. Before then, Safeway was not in the Houston area at all.

Today, five years later, we have a Houston Division comprising 53 supermarkets, a new 660,000 sq.-ft. distribution center opened last year, and a fleet of Safeway trucks (see photo of Houston).

Of the 53 stores, 32 were built from scratch and 21 were transferred from the Dallas Division. Our Houston Division opened 9 new stores in 1974 and plans 5 more in 1975.

The new distribution center is on a 127-acre site within Houston city limits, and has 15 acres under roof. It consists of a grocery warehouse and box shed, produce warehouse (including miscellaneous perishables), refrigeration equipment building, truck repair shop, and traffic control building. Space is available for additional warehouse and plant facilities.

There are more than two million people in metropolitan Houston. Its population more than doubled between 1950 and 1970, and based on Census Bureau estimates it has continued to show one of the strongest big-city growth rates.

Safeway has been well received in Houston. It is a gratifying development for a very large project: from zero to full-fledged Safeway Retail Division in only five years.

Regional HQ for Canada & Overseas Set Up in Toronto

John S. Kimball

A new Canada and Overseas Region was established as of January 1, 1975, with headquarters in Toronto. John S. Kimball, formerly Europe Division Manager, was named Regional Manager reporting directly to the President.

The new Region will consist of our four Canadian Divisions, and the United Kingdom, Germany, and Australia Divisions. This addition of an eighth Region means that all Safeway retail operations are now included in our regional organization pattern.

Big Plant, Warehouse Building Program

That steel skeleton in the picture above will be our new milk plant at San Leandro, Calif.

Plant and warehouse construction continued at a high level in 1974. The Company completed 17 major warehouse projects and 13 major supply plant projects. Among the latter were a bread bakery at Denver and a meat processing plant at Stockton, Calif. (sausage, luncheon meats, etc.).

Altogether, plant and warehouse construction amounted to around $70 million. About an equal amount was represented by major projects under construction at year-end.

Computer Provides Fast Information for Stockholders

Here's good news for our stockholders. Inquiries you may make to us about your stocks will be handled more quickly now than in the past.

Our Management Information and Services Group is installing a records system using our central computer and a cathode ray screen (see photo below). On request the screen instantly displays the stockholder's file.

As of year-end Safeway was owned by 60,822 shareholders of record, holding 224,546 certificates, representing 25,855,-154 shares.

There are Safeway shareholders in every state in the U.S. and in some 20 other countries around the world.

Executives View Latest Electronic Checkout System

The Company continues to keep a close watch on developments in electronic checkout systems. Photo above shows a few of many Safeway executives and Board members who attended a system demonstration.

Note the electronic scanner in the checkout counter. The computer "reads" the Universal Product Code on each package, instantly displays the price on a screen for the customer, and prints out an itemized receipt.

There is as yet no widespread use of scanner checkout in the industry. We tested a complete one-store installation in 1972, developed our desired system specifications, and are well along in putting the UPC code on Safeway brand packages. Still needed are improved systems, more information on consumer needs and benefits, and UPC imprinting by more manufacturers.

Early next year we plan a pilot installation.

Alaska Paper; 2,000 Miles by Water for Recycling

It's a long trip but a good one, for both Safeway and the environment.

More than one million pounds of salvage cardboard annually are baled in the backrooms of Safeway's Alaska stores (two in Fairbanks and five in Anchorage). The bales are loaded into Sea-Land containers and hoisted aboard a vessel at Anchorage (see photo) for the journey to Seattle, some 2,000 miles away. Our Seattle Division sells the salvage to the recycling mill, and it again becomes cardboard containers.

Thus even though Alaska has no recycling facilities capable of handling this material, Safeway is saving resources and reducing pollution there.

A Store Full of Customers from South of the Border

We have a store about as far south as you can get in California, at San Ysidro in our San Diego Division, half a mile from Tijuana, Mexico.

About 90% of our customers come from south of the border, and they really keep us busy (see picture at right). The store is scheduled to be replaced with a larger new one on the same site, to open in the autumn of this year.

Most of the store's 90 employees are bilingual. Our store stocks extra large quantities of items meeting the special tastes of these shoppers: for example dried foods, beans, chili peppers, lard, poultry, eggs, and cheese.

Here are truly good neighbors—internationally.

Employee Risks His Life to Save Children in Runaway Truck

Quick action by Safeway Courtesy Clerk Dave Starcevich saved four small children one day in Butte, Montana. A customer, Montana State Representative Joe Quilici, described it:

"We heard screaming, and saw a driverless pickup rolling out of the Safeway lot with four little children in it. I ran, but your employee passed me up like I was standing still. He was nearly crushed as the truck almost sideswiped another vehicle, but finally got in the truck and stopped it, just as it was moving into busy Harrison Avenue.

"Without his heroic action," said the legislator, "the children would have been hurt or killed." Pictured at left are David and Rep. Quilici.

Employee Training Films Produced by Safeway

Training and developing people continues to have the highest priority at Safeway. Last year we established the Management Development and Training Division separate from the Personnel Services Division, and named Vice President M. K. Kegley as Division Manager.

Among its many activities, the Division at year-end was producing a new training film on Customer Relations (see photo at right). This is a color film to be used not only for training new employees but also to remind all employees about the importance of courtesy throughout our Company.

Earlier films produced by Safeway have proved great aids for training store clerks in security and in the time-saving techniques of touch checking and direct bagging.

Good Neighbor Store
IN THE CITY

Each Safeway store strives to be a good neighbor, whether it is located among skyscrapers in the big city or out in the open countryside of a rural town.

We operate more than 2,400 stores, each in a different neighborhood, in 1,400 cities and towns. We serve big cities, but we also serve rural areas; in 1,040 of the towns we have only one Safeway store.

The store pictured at right is in downtown San Francisco, on the ground floor of the Golden Gateway apartment complex next to the financial district. It is small (15,700 sq. ft.) and has no parking lot; land is scarce. The needs of the people are special indeed: small-size packages for apartment-dwellers; 400 to 500 special sandwiches each weekday around noon for financial district employees at lunch; oranges by the case for the neighboring Chinese community; coffee by the case for foreign-registry ships docked in port nearby.

Another kind of store in San Francisco is the spacious new one (27,400 sq. ft.) shown below. It is on Taraval Street in a residential neighborhood and it provides parking. But you park on the roof and take the elevator down. Here, too, land is hard to come by; there was not enough for a separate parking lot. To save store floor space, refrigeration equipment was installed on the roof.

This good neighbor store meets special needs in a cosmopolitan neighborhood. It stays open till midnight on weekdays for working couples. It opens at 8 a.m. on Sundays for shoppers returning from services at nearby churches. It stocks kosher canned meats for Jewish clientele; and tofu, a kind of soy cake, kept cool in the produce department for our Japanese customers.

Good Neighbor Store
ON MAIN

The lectern is familiar ground for Jim Keith, Store Manager in Jerome, Idaho. He's a past President of the C. of C. and of Rotary.

Our first obligation as a good neighbor store is to meet the food needs of our neighbors, whether in the big city or an outlying town. But many Safeway people go well beyond this and participate quite actively in social and civic affairs.

Some examples of such people and their community activities in the smaller towns are pictured on these pages. One is Wes Taylor, Store Manager in Cleveland, Oklahoma. He serves on the Park and Recreation Board and is past President of the local Kiwanis Club, sponsor of Little League ball. They raised funds to outfit the teams by having a white elephant sale on the Safeway parking lot which took in $350 in 35 minutes. That lot is a popular place; the Chamber of Commerce used it for the town's 1974 Christmas tree.

Another outstanding example is Ray Danklefson, long-time Store Manager in Snohomish, Washington, where he now runs a big new 29,400 sq. ft. Safeway opened last August. Ray has been President of the Chamber of Commerce and the Lions Club, and is active in many community projects. In 1973 he received the Golden Key Award of the Business and Professional Women's Clubs for "elevating the standards of working women." He was one among ten so honored in the State.

To the east in that same State of Washington is Safeway Store Manager Glenn Watson of Chelan. A past President of the C. of C. and Director of Distributive Education at the high school, Glenn has a lot of help being a good neighbor: his wife is Chairman of the Red Cross blood drive, and his store staff gave 17 pints in the last one.

Jerome, Idaho, is an interesting town not far from the Company's birthplace in American Falls. It came into being

Cleveland, Okla. is a baseball town—Little League, that is. Store Manager Wes Taylor and family (below) are very much involved.

In Carthage, Mo., Store Manager Harold Short confers with the Mayor, City Engineer, and Zoning & Planning Commission Chairman.

STREET AMERICA

abruptly in 1907 when the first irrigation water was brought in from the Snake River. Since then it has flourished, with agriculture, cattle, light industry, and recreation. The Safeway Store Manager there, Jim Keith, has been President of the C. of C. and the Rotary Club, and for three years a Trustee of the Jerome School District.

Harold Short is the Safeway Manager in Carthage, Missouri. He is Treasurer of the C. of C., is on the Board of Jasper County Extension Service for Continuing Education, and is a past President of the Lions Club. His Meat Department Manager, Dale Page, works with the local Future Farmers of America meat judging teams.

In the heart of green Virginia, about three-quarters of the way down the historic hundred miles between Washington, D.C. and Richmond, lies the town of Bowling Green. Paul Foltz has been Safeway Manager there for more than 35 years. He's a deacon in his church and teaches Sunday School. He is an officer in the Lions Club and his American Legion post, and a past Chairman of the County March of Dimes.

We started this article in Oklahoma, and now will end it there, in the town of Guthrie where E. M. Goolsby is the Safeway Store Manager. Both E. M. and his wife Frances have received the Honorary Farmer degree, highest awarded by the Future Farmers of America. Their son Jerry has been State President and National Secretary of FFA, and last fall ran for a seat in the Oklahoma State Legislature, finishing a close second. E. M. is on the school board, has served as Chairman of the Agriculture Committee of the C. of C., and is a past President of Rotary and of the Livestock Boosters' Club.

Store Manager Ray Danklefsen (l.), prominent in the business and civic life of Snohomish, Wn., talks with Mayor William Connor.

A group of happy girl scouts attended Expo 74 with funds earned by bake sale in Manager Glenn Watson's Chelan, Wn. store.

In Bowling Green, Va., Store Manager Paul Foltz (below) sells white cane emblems for Lions Club sight conservation program.

E. M. Goolsby, Guthrie, Okla. Store Manager, congratulates State champion FFA meat judging team, as FFA Advisor Stevens looks on.

Quarters of beef coming in from suppliers move through a sanitized, temperature-controlled receiving area in a Safeway meat warehouse.

SAFEWAY MEATS

. . . A Tradition of Quality

Safeway meat departments account for nearly one-fourth of the Company's dollar sales. We know our overall reputation and continued success depend largely on the quality of our meats.

Our present meat program had its beginnings back in the late 1930's, when we set out to satisfy the consumer's desire for meats that were consistently tender and flavorful, free of excess fat and bone, and reasonably priced.

One of our primary concerns is to assure consistent quality in each of our operating areas (Safeway has no ranches, feedlots, or slaughtering facilities; we purchase meats in dressed carcass or primal form). Our standards are high, and to avoid any misunderstandings we furnish our suppliers copies of our rigid specifications.

We also have a strict "no haggling" rule which provides that our buyers will not make counter offers to suppliers, and will not reveal one supplier's price to another supplier.

That Safeway has been able to satisfy our customers' wants in meats (particularly in beef) is in large part a tribute to the nation's livestock producers. They continue to do an outstanding job, year in and year out, despite serious problems with weather, with feed supplies, and with the effects of worldwide changes in economic conditions and consumption patterns.

Safeway was among the first to adopt a policy of buying government graded meat.

We pioneered two other important processes: central warehousing and controlled aging. Most of our retail divisions

Most meat counters are self-service today, but our store meat cutters stand ready to answer questions and handle special requests. Here one invites a customer to try a new recipe.

Carcasses are fabricated into "block-ready" cuts and properly aged at our meat warehouses, and sent to the stores in refrigerated trucks.

operate their own Federally-inspected meat warehouse. Meat carcasses and primal cuts received at the warehouse are carefully weighed in and inspected for compliance with our weight and grade specifications. Then they are broken into major cuts ("primals" and "sub-primals"). Loin and rib cuts and some others are aged according to their individual requirements, to improve flavor and tenderness.

When the process is completed, subprimals are then shipped to the stores in "block-ready" condition. At the store our expert meat cutters apply the final touch to this unique program: Safeway's famous trim. They skillfully remove costly excess fat and bone *before* the meat is weighed and priced. The result is more edible lean meat per pound.

Because of this quality program, we confidently offer the following unconditional guarantee: "If for any reason whatsoever you are dissatisfied with a purchase of Safeway meats, your money will be refunded."

We strive for strict quality control of Safeway meats at all stages. In our Portland Division, for example, we have recently set up a laboratory to scientifically double-check the sanitation of meat carcasses received. This is a pilot installation of facilities to obtain additional information. We hope it will assist us in our ongoing evaluations of the quality control and sanitation programs in the meat operations of all Divisions.

We also continually review our labeling terminology for accuracy and clarity. At the beginning of last year we adopted the new nomenclature for retail meat cuts recommended by the National Live Stock & Meat Board. We feel these uniform, more meaningful names make comparison shopping easier and eliminate a major source of confusion at the meat counter.

Successful retailers depend on satisfied customers. Safeway's overriding concern for excellence in buying, handling, and merchandising high quality meat has served the Company and its customers well, and continues to do so.

The hostess at right looks pleased with her rib roast from Safeway, confident her guests will enjoy it. Consumer satisfaction is the end result and whole purpose of our quality meat program.

In addition to fresh meats, fresh fruits and vegetables also play an important role in a main Safeway corporate objective: "To be known for superior perishables . . ."

That blaze of red apples pictured at top left, on display in a Safeway store, reflects the quality we strive for. To achieve it requires first of all the best efforts of our Produce Supply Division, with buying offices in all principal growing and shipping areas.

We purchase the best fruits and vegetables available in quantity and move them quickly under refrigeration to our produce warehouses in each Division, for immediate delivery to the stores (or in some cases to our "Pre-Pakt" plants for processing and packaging).

In the stores fresh produce receives specialized care. For highly perishable items such as salad vegetables we have a "crisping program" calling for strict temperature and moisture control. Employees must become experts in the varying characteristics of each different fruit and vegetable to keep it fresh and appealing for our customers.

Flowers and plants are a relatively new addition to our store produce departments. That they are an attractive addition is apparent from the photo at left, of a regular display in one of our Safeway stores.

Our buying offices are giving greater attention to this specialty. Store personnel recently were furnished a new "Nursery Guide" manual on plants and flowers. We believe these products have an excellent potential for increased sales in our stores.

Financial Review

RESULTS OF OPERATIONS. Safeway's sales reached a record high of $8.2 billion, an increase of 21% over 1973 and the twelfth consecutive year that sales improved over the prior year. Although the sales increase was due in large part to price inflation, we did have gains in the number of customers served. Table A shows sales by country and Table B shows sales by quarter.

Gross Profit of $1.53 billion increased $210 million over 1973 but decreased as a percentage of sales from 19.4% to 18.7%.

Operating and Administrative Expenses increased in total dollars but decreased as a percentage of sales from 17.0% to 16.7% in 1974. This continual decrease in such expenses as a percentage of sales is very pleasing to us as it reflects our continuing efforts to lower the cost of operating our business and increase productivity.

Other Income and Deductions increased by $6.3 million over 1973, principally because of increased interest expense on higher levels of short-term borrowings. The approximate average aggregate short-term borrowings outstanding during the year was $54,669,000 at a weighted average interest rate of 10.01% compared with $21,448,000 and 9.63% in 1973.

Net Income after taxes amounted to $79.2 million or 0.97% of sales compared with $86.3 million or 1.27% of sales in 1973. Net income per share was $3.07 compared to $3.35 in 1973.

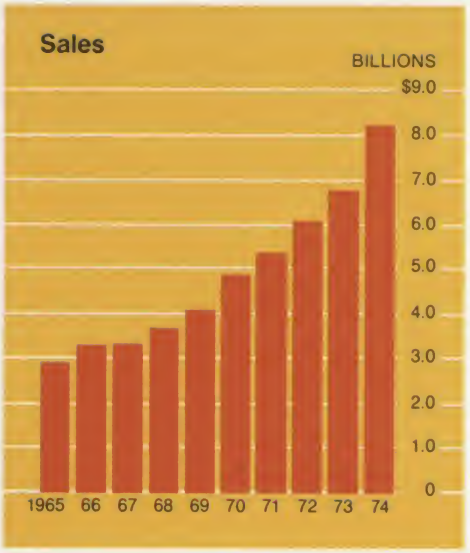
During 1974, return on average stockholders' equity was 11.74% compared with 13.67% in 1973.

TABLE A—Sales by Country

(In millions U.S. $)	1974	1973	Percent Increase	Percent of Total 1974	Percent of Total 1973
United States	$6,637.8	$5,553.6	19.5%	81.1%	82.0%
Canada	1,092.8	892.2	22.5	13.3	13.2
United Kingdom	218.5	158.2	38.1	2.7	2.3
Australia	186.2	132.6	40.4	2.3	2.0
West Germany	49.9	37.1	34.5	.6	.5
Total Sales	$8,185.2	$6,773.7	20.8%	100.0%	100.0%

ACCOUNTING CHANGE. In 1974 the Company changed from the First-in, First-out (FIFO) method to the Last-in, First-out (LIFO) method of valuing approximately $367 million of its merchandise inventories. Such inventories represented 56% of consolidated inventories. The Company believes that the LIFO method is preferable in periods of rapidly increasing costs of merchandise purchased for resale because it more nearly matches current costs with current revenues. The LIFO method also improves cash flow by reducing income taxes otherwise payable. The LIFO method resulted in a decrease of reported earnings of $42,302,000, or $1.64 per share of common stock.

Table B shows total net income and net income per share by quarter restated to reflect the change to the LIFO method prorated on the basis of the number of weeks in each quarter.



FOREIGN OPERATIONS. Sales and income of foreign operations in Canada and overseas continued to expand at a greater rate than the Company overall. Canadian sales increased 22.5% over 1973 and net income increased 30.9%. For the three overseas subsidiaries combined, sales increased 38.6% and net income increased 17.3%. The Canadian and overseas subsidiaries combined account for 18.9% of consolidated sales and 39.4% of net income. The parent company's equity in earnings of these subsidiaries was $31,058,000 in 1974 and $24,134,000 in 1973.

TAXES ON INCOME. Provision for Federal, Canadian and other Income Taxes amounted to $61.4 million in 1974 and

TABLE B

	Sales[1]		Net Income[1]		Net Income Per Share		Dividends Paid on Common Stock		Market Price Range of Common Stock	
	1974	1973	1974	1973	1974	1973	1974	1973	1974	1973
First 12 Weeks	$1,730,567	$1,468,865	$14,608	$18,010	$ .57	$ .70	$ .40	$ .35	43¼ — 36¼	44⅛ — 36½
Second 12 Weeks	1,835,091	1,519,839	18,832	21,893	.73	.85	.40	.35	43⅞ — 38¼	38¼ — 27⅝
Third 12 Weeks	1,950,713	1,615,260	22,295	16,470	.86	.64	.45	.40	39¾ — 31	35⅜ — 27¼
Last 16 Weeks	2,668,819	2,169,723	23,470	29,898	.91	1.16	.45	.40	37⅞ — 29⅝	40⅝ — 31⅜

[1] In thousands of dollars.

$71.0 million in 1973. Such taxes represented 43.7% of income before provision for income taxes in 1974 and 45.2% in 1973. The provision for U.S. Federal Income Taxes was reduced by an investment tax credit of $6,372,000 or 25¢ per share in 1974 and by $5,680,000 or 22¢ per share in 1973. Such credits are based on placement in service of qualifying equipment in those years.

The provision for income taxes is shown below:

	1974	1973
Federal	$36,357,000	$49,355,000
Less investment tax credit	6,372,000	5,680,000
	29,985,000	43,675,000
Canadian and overseas	27,018,000	21,466,000
State	4,405,000	5,905,000
	$61,408,000	$71,046,000

The provision includes deferred income tax charges and (credits) provided for timing differences as follows:

	1974	1973
Accelerated depreciation	$ 8,060,000	$ 6,045,000
Insurance reserves	926,000	(3,487,000)
Small equipment purchases	107,000	(517,000)
Compensation provision	(1,823,000)	—
Other items	(255,000)	520,000
	$ 7,015,000	$ 2,561,000

Canadian and United States Corporation Income Tax Returns for all years prior to 1972 have been reviewed by taxing jurisdictions. Returns for 1972 and 1973 are under review and 1974 is subject to review.

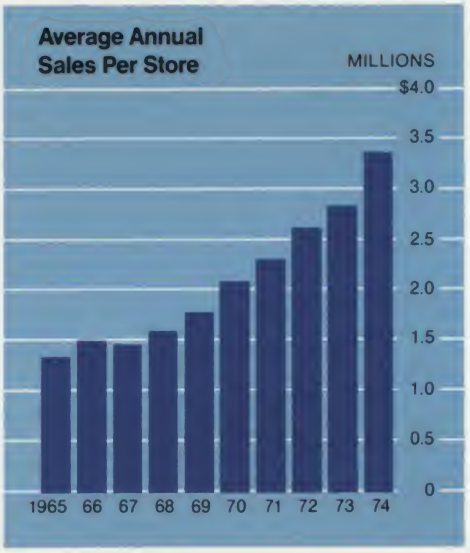
In November 1974, the Company received from the Regional Commissioner, Western Region, Internal Revenue Service a Notice of Deficiency of Federal Income Taxes for the years 1963 through 1969 amounting to $6.3 million. Included are taxes of $5.2 million resulting from disallowing deductions for the Company's contributions to the U.S. Employee Retirement Plan. The Company plans to pay the taxes of $6.3 million plus interest of $2.9 million and file claims for refund in the appropriate court.

For the years 1970 and 1971, the Internal Revenue Service has proposed a deficiency of Federal Income Taxes of approximately $5.3 million. The proposed deficiency is presently being discussed at the Appellate Division of the Internal Revenue Service. There was no deficiency proposed for those years resulting from the Company's contributions to the U.S. Employee Retirement Plan.

All retirement plan contributions and substantially all of the other deductions which may ultimately be disallowed will be carried forward as timing differences and claimed as deductions in future years.

Management believes that adequate provision has been made for payment of interest and taxes for all past years for deductions which cannot be carried forward and claimed in future years. Any possible additional deficiencies in excess of those provided for will not result in any material adverse effect on consolidated income or financial position.

No provision has been made for income taxes which might be payable if accumulated earnings of Canadian and overseas subsidiaries were distributed to the parent company, since it is the present intention of management to reinvest such earnings permanently in foreign operations. The cumulative amount of such undistributed earnings on which the parent company has not provided for income taxes, if any, was $209,749,000 at the end of 1974 compared with $179,041,000 in 1973. Should any distribution be required, any income tax payable would be substantially offset by foreign tax credits.



STOCK EXCHANGE LISTINGS AND DIVIDENDS. Safeway's Common Stock is listed on the New York and Pacific Stock Exchanges. Table B shows the high and low sales prices and the dividends paid for each quarterly period during the Company's last two fiscal years. Of total net income 55.5% was paid out in dividends during fiscal 1974, compared with 44.8% in fiscal 1973.

PROPERTY. Capital expenditures for property, plant and equipment net of retirement and miscellaneous equipment sales amounted to $257 million during 1974 and $203 million during 1973. These expenditures have been financed through internally generated cash flows, sales and leasebacks and debt supported by mortgages on properties held by our wholly-owned real estate subsidiary. The major part of this expenditure was involved in the opening of 164 new stores and the completion of 12 new warehouses and plants. Expenditures were also made in 1974 for 73 major store remodels as well as for expanding 18 plants and warehouses. As a measure of inflation and growth in store size, a typical new store cost $1,050,000 including fixtures and was 25,000 square feet in size in 1974 compared to about $630,000 and 21,000 square feet ten years ago.

At the end of 1974, we operated 2,426 stores averaging 20,700 square feet in size, with a total area of 50.1 million square feet. Table C shows the number of new stores opened during the past five years and the number and area of stores in operation in each country at the end of 1974. Provision for depreciation was $79,742,000 in 1974 and $69,584,000 in 1973.

PAYABLES AND ACCRUALS. Payables and accruals consisted of the following:

	1974	1973
Accounts payable:		
Trade	$234,283,000	$200,861,000
Other	176,215,000	128,082,000
	410,498,000	328,943,000
Accrued expenses:		
Salaries, wages and other compensation	58,615,000	48,023,000
Taxes, other than income taxes	17,520,000	13,745,000
Rent, insurance and other	43,111,000	35,099,000
	119,246,000	96,867,000
	$529,744,000	$425,810,000

TABLE C—Stores by Country

	End of Fiscal Year 1974		Number of Stores Opened During Past 5 Years					Opened Prior
	Million Sq. Ft.	No. of Stores	1974	1973	1972	1971	1970	to 1970
United States	42.1	2,014	135	109	111	91	98	1,470
Canada	5.7	271	9	14	17	12	19	200
United Kingdom	1.2	77	10	14	6	10	5	32
Australia	.9	44	4	5	5	6	3	21
West Germany	.2	20	6	1	3	2	3	5
Total	50.1	2,426	164	143	142	121	128	1,728

LONG-TERM DEBT. Notes and debentures payable at December 28, 1974 consisted of:

	Due After One Year	Current Maturities
4.65% term notes payable, unsecured, due semi-annually to November 1, 1979	$ 12,000,000	$ 3,000,000
8¾% notes payable, unsecured, guaranteed by Canada Safeway Limited, due December, 1975	—	20,000,000
7.40% sinking fund debentures, unsecured, due in equal installments from 1978 through 1997	65,000,000	—
Mortgage notes payable, secured	22,568,000	1,028,000
Other notes payable	5,212,000	1,254,000
	$104,780,000	$25,282,000

The above mortgage notes payable are secured by properties which are included in the balance sheet at their book value of $24,724,000.

During 1974 two mandatory semi-annual payments of $1.5 million each were made on the 4.65% notes, which also provide certain prepayment options at varying premium rates to maturity. Mandatory sinking fund payments for the retirement of the 7.40% debentures commence in 1978. Under the agreement covering the 7.40% debentures, $205,615,000 of the retained earnings as of December 28, 1974 were free of restrictions for dividend payments and acquisitions of common stock. Other restrictions applicable to both the notes and debentures include a limitation on the creation of additional funded debt.

Aggregate annual maturities of long-term debt for the next five years are:

	Notes & Debentures	Mortgage Notes
1975	$24,254,000	$1,028,000
1976	3,959,000	818,000
1977	3,786,000	723,000
1978	6,822,000	782,000
1979	6,615,000	847,000

CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL. Capital stock as of year-end 1974 and 1973 consisted of 220,372 shares of 4% cumulative preferred, authorized and unissued, and 75,000,000 shares of common stock authorized at a par value of $1.66⅔ per share. Outstanding common stock amounted to 25,855,154 shares at the end of 1974, compared with 25,797,229 shares a year earlier. These are after deducting 45,983 treasury shares at the end of 1974 and 1973.

The increase in Additional Paid-in Capital during 1974 of $1,396,000 and during 1973 of $2,119,000 consisted of the excess proceeds over par value of shares issued under options exercised during the year.

DESCRIPTION OF THE COMPANY'S BUSINESS. At the close of fiscal 1974 Safeway and its subsidiaries operated a total of 2,426 supermarkets, and various related manufacturing, processing and distribution facilities in the United States, Canada, the United Kingdom, West Germany, and Australia. The Company and its subsidiaries did not engage in any other line of business accounting for 10% or more of total sales and revenues, or of income before income taxes. Sales of supermarket merchandise provide substantially in excess of 90% of the total sales and earnings of the Company and its subsidiaries.

EMPLOYEE RETIREMENT AND PROFIT-SHARING PLANS. The Company and its Canadian subsidiaries have contributory, trusteed Retirement Plans which may be amended or terminated at any time, for eligible employees not covered by other plans to which the Company contributes. The assets of the trust funds are sufficient to fund vested benefits. Contributions charged to income were $5,547,000 in 1974 and $4,620,000 in 1973. The Company also incurred expenses of $35,379,000 in 1974 and $26,342,000 in 1973 for contributions to various pension plans under Union contracts.

Contributions charged to income for Safeway's U.S. and Canadian Profit-Sharing Plans were $4,318,000 in 1974 and $4,906,000 in 1973 (U.S. only).

The Company's U.S. Retirement and Profit-Sharing plans substantially meet the major requirements of the Employee Retirement Income Security Act of 1974, but changes in the plans will be made before the Act becomes fully effective on January 1, 1976. It is anticipated that these changes will not have a significant impact on future income or financial position.

STOCK OPTIONS. The following summary shows the changes during 1973 and 1974 in qualified and restricted options granted to key employees to purchase shares of the Company's Common Stock:

	Shares	Option Price
Balance, beginning of 1973	281,105	$24.88-38.81
Granted, 1973	112,500	$29.125
Exercised, 1973	76,360	$24.88-30.59
Expired, 1973	22,350	$24.88-30.59
Balance, December 29, 1973	294,895	$24.88-38.81
Granted, 1974	109,650	$34.88-39.44
Exercised, 1974	57,925	$24.88-29.19
Expired, 1974	12,400	$24.88-39.44
Balance, December 28, 1974	334,220	$24.88-39.44

At the end of 1974 there were 411,840 unoptioned shares available for granting compared with 516,190 at the beginning of the year. The number of shares as to which options were exercisable was 80,200 at the end of 1974 and 74,375 at the end of 1973.

FINANCIAL INFORMATION—FOREIGN OPERATIONS

	Canadian Operations[2]		Overseas Operations		Consolidated	
Balance Sheet Data[1]	**1974**	**1973**	**1974**	**1973**	**1974**	**1973**
Current Assets	$ 143,002	$110,843	$ 29,341	$ 28,754	$ 172,343	$ 139,597
Investment in Overseas Subs.	56,043	50,943	—	—	—	—
Other Assets	814	893	3,749	3,659	4,563	4,552
Property (net)	111,110	100,304	80,042	51,645	191,152	151,949
Total	$ 310,969	$262,983	$113,132	$ 84,058	$ 368,058	$ 296,098
Current Liabilities	$ 89,466	$ 52,994	$ 50,253	$ 28,394	$ 139,719	$ 81,388
Long-term Liabilities	4,263	23,395	6,755	4,653	11,018	28,048
Loan by Parent	—	—	22,952[2]	22,953[2]	—	—
Preferred Stock	3,791	4,153	—	—	3,791	4,153
Equity of Parent	213,449	182,441	33,091	27,990	213,449	182,441
Minority Interest	—	—	81	68	81	68
Total	$ 310,969	$262,983	$113,132	$ 84,058	$ 368,058	$ 296,098
Income Statement[1]						
Sales	$1,092,758	$892,247	$454,640	$327,915	$1,547,398	$1,220,162
Cost of Sales	882,369	720,923	373,359	268,571	1,255,728	989,494
Gross Profit	210,389	171,324	81,281	59,344	291,670	230,668
Operating and Administrative Expenses	161,848	136,373	71,125	47,909	232,973	184,282
Operating Profit	48,541	34,951	10,156	11,435	58,697	46,386
Other Income and (Deductions)	889	1,819	(1,343)	(2,422)	(454)	(603)
Income Before Taxes	49,430	36,770	8,813	9,013	58,243	45,783
Provision for Income Taxes	23,455	16,930	3,563	4,536	27,018	21,466
Net Income	$ 25,975	$ 19,840	$ 5,250	$ 4,477	$ 31,225	$ 24,317

[1] In thousands of U.S. dollars. [2] Includes Canada Safeway International Finance Corp.

COMMITMENTS. The Company has commitments under contracts for the purchase of land and for the construction of buildings. Portions of such contracts not completed at year-end are not reflected in the financial statements. Such unrecorded commitments amounted to approximately $58,575,000 at year-end 1974 as compared to $83,757,000 for 1973.

RENT EXPENSE AND LEASE COMMITMENT INFORMATION. Safeway and its subsidiaries occupy primarily leased premises, which were covered by 3,079 leases at year-end. Of these leases 2,442 are considered to be noncancelable, financing leases which means that the lease term covers at least 75% of the useful life of the property or the lease has terms which assure the lessor full recovery of his investment in addition to a reasonable return on such investment. Also, 1,596 of the total leases can be cancelled by the Company by offer to purchase the properties at original cost less amortization, with purchase obligatory upon acceptance of the offer by the landlords. There were no significant amounts of property, other than real property, under lease during 1973 and 1974.

A summary of rental expense for 1974 and 1973 follows:

	(In Thousands - U.S. $) 1974	1973
Financing leases:		
Minimum rent	$106,320	$ 89,678
Rent based on sales	5,874	3,852
Less sublease rentals	(5,255)	(4,193)
	106,939	89,337
Other leases:		
Minimum rent	7,843	13,330
Rent based on sales	785	522
Less sublease rentals	(510)	(558)
	8,118	13,294
Total rent expense	$115,057	$102,631

Minimum rentals on all leases in effect at year-end and rental amounts included therein relating to financing leases, other leases and sublease rental income were approximately as shown in Table D for the years or periods indicated.

The present value of minimum lease commitments for financing leases was $870,013,000 (after having deducted $17,360,000 for subleases) at year-end and $777,003,000 (after having deducted $14,314,000 for subleases) at the end of 1973. The ranges of rates used were from 3.00% to 9.25% in 1974 and 1973, and weighted average interest rates were approximately 6.5% in both years.

If, instead of recording rental expense, all financing leases were capitalized, related assets were amortized on a straight-line basis and interest costs were accrued on the basis of the outstanding present value, the impact on net income would be a reduction of $6,579,000 in 1974 and $5,673,000 in 1973. Included in this computation for 1974 was amortization of $53,151,000 and interest cost of $59,207,000; for 1973, amortization was $47,220,000 and interest cost was $51,378,000.

CONTINGENT LIABILITIES—LITIGATION. In addition to various claims and lawsuits arising in the normal course of the Company's business, as of March 12, 1975 there are actions pending against the Company charging violations of the anti-trust laws and certain Civil Rights statutes, some of which purport to be class actions and seek damages in very large amounts, as well as other relief which, if granted, would require very large expenditures.

In the anti-trust area a suit by seven Texas livestock producers and feeders was filed during 1974 in Federal District Court charging the Company and other retailers with violations of the anti-trust laws in the purchase and sale of meat. Damages are alleged to be not less than $20,000,000 before trebling. Two similar actions (alleging damages of $972,000,000 before trebling) purportedly on behalf of livestock producers and feeders residing in Iowa and Nebraska were dismissed as to the Company in February and March, 1975 on stipulation of the Company and the named plaintiffs (five in Iowa and one in Nebraska) and with prejudice to those named plaintiffs. Additional similar actions may be filed against the Company by or on behalf of other livestock producers and feeders. A similar action resulted during 1974 in a jury verdict against another retailer in favor of six plaintiffs in the amount of approximately $33,000,000 after trebling. The defendant in that case has announced its intention to appeal from that judgment. Although the case pending against the Company is in the preliminary stage of discovery and, consequently, neither Management nor legal counsel are able to predict its ultimate outcome, in the opinion of counsel representing the Company, it has good and meritorious defenses to this action, and should prevail.

Although the amount of liability at December 28, 1974 with respect to all of the above matters cannot be ascertained, the Company is of the opinion that any resulting liability will not materially affect consolidated income or financial position.

SUMMARY OF ACCOUNTING POLICIES. The Company believes that the accompanying financial statements may be read with greater understanding by reference to the following concise descriptions of the accounting policies and procedures followed. These policies and procedures conform to generally accepted accounting principles and have been applied on a consistent basis, except for the change from FIFO to LIFO on certain inventories.

Fiscal Year: The fiscal year for the Company and its Canadian subsidiaries ends on the Saturday nearest to December 31. Normally, each fiscal year consists of 52 weeks but every 5 or 6 years the fiscal year consists of 53 weeks in order to maintain the year-end on the Saturday nearest to December 31. Fiscal years of overseas subsidiaries follow a similar pattern but generally end on the Saturday nearest September 30.

Basis of Consolidation: Consolidated financial statements include results of operations, account balances, and changes in financial position of all subsidiaries except one minor overseas subsidiary which is included in miscellaneous investments at the amount of equity in net book value. All inter-company transactions have been eliminated in consolidation.

Translation of Foreign Currencies: Current assets and current liabilities are translated at the rate of exchange in effect at the close of the period. Long-term assets and long-term liabilities are translated at

TABLE D—Minimum Rental Amounts

(In thousands U. S. $)	Net All Leases	Financing Leases	Other Leases	Rental Income Sublease: Financing Leases	Rental Income Sublease: Other Leases
1975	$116,032	$105,766	$ 15,243	$2,721	$2,256
1976	115,361	105,427	14,746	2,721	2,091
1977	114,871	104,732	14,404	2,681	1,584
1978	113,751	103,250	14,170	2,457	1,212
1979	111,545	100,690	14,044	2,211	978
1980-1984	492,385	430,089	72,331	7,377	2,658
1985-1989	343,422	284,889	61,100	1,272	1,295
1990-1994	196,273	143,869	53,124	247	473
After 1994	147,380	44,337	103,665	563	59

historical rates. Unrealized gains and losses from foreign currency translation are included in income currently. Revenues and expenses are translated at weighted average exchange rates which were in effect during the year, except for depreciation and amortization which are translated at the rates of exchange which were in effect when the respective assets were acquired.

As proposed by the Financial Accounting Standards Board and in accordance with general practice, the Company has adopted in 1974 the policy of including all realized and unrealized gains and losses in income in the current year. Since only immaterial gains were deferred in prior years, this policy has no significant effect on the financial statements. Gains of $1,686,000 in 1974 and $559,000 in 1973 are included in Other Income.

There would be no material effect on consolidated income if long-term receivables and long-term debt were translated at the rates of exchange in effect at the close of the period.

Net Income Per Share: Net income per share is determined by dividing consolidated annual net income by the average number of common shares outstanding during the year.

Provision for Income Taxes: The Company follows the generally accepted practice of providing for deferred income tax charges and credits resulting from timing differences in reporting income and expenses for financial purposes compared to the methods of reporting for income tax purposes. These timing differences arise primarily from the Company's use, for tax purposes, of accelerated depreciation and, for book purposes, accruing estimated expenses for self-insurance reserves and related items. These deferred charges and credits are amortized as the timing differences later reverse. The net effect of these timing differences is shown in the comparative summary of income tax provisions on page 16. The Company has consistently reduced current federal tax provisions for investment tax credits in the year in which they arise, rather than spreading such credits over the productive life of the related equipment.

Depreciation: Depreciation is computed for financial report purposes on the straight-line method, which means that approximately equal amounts of depreciation are charged against operations each year during the useful life of each item or category of buildings, improvements or equipment. For tax purposes accelerated methods are used for depreciation.

The following are the principal rates of depreciation used for financial purposes during the year:

Store, warehouse and other buildings	2½ to 5%
Building equipment	5 to 10%
Furniture, fixtures and equipment	5 to 20%
Automotive equipment	12½ to 16⅔%
Installation costs	6⅔ to 16⅔%

Leasehold improvements include buildings constructed on leased land and improvements to leased buildings. Such buildings and major improvements are amortized over the remaining period of the lease or the normal life of the buildings, whichever is less, and lesser improvements are amortized over the period of the lease or six years, whichever is shorter.

Amortization of Excess Cost of Investments in Subsidiaries: The original cost of certain subsidiaries is greater than their net book asset values at date of acquisition. Such excesses are being amortized and charged against income in twenty equal annual amounts of approximately $218,000 starting in 1970.

Inventories: Store and warehouse finished goods inventories of Grocery items (generally non-perishables) are valued by the retail inventory method on a LIFO basis. Remaining store inventories are valued by the retail inventory method at the lower of cost (FIFO) or replacement market. All other inventories are valued at the lower of cost (FIFO) or replacement market. Prior periods have not been restated to reflect the change in the inventory accounting method from FIFO to LIFO due to the unavailability of information necessary to do so. Inventories would be increased by $85,992,000 if they were stated at the lower of cost (FIFO) or replacement market at December 28, 1974.

Properties for Development and Sale Within One Year: This entry under Current Assets represents the original cost of land and improvements developed for use by the Company and for which commitments have been received for sale and leaseback during the following year.

Employee Retirement Plan: The Company's practice is to contribute the full normal cost and there is no unfunded past service liability.

Stock Options: Proceeds from the sale of stock issued under options are credited to Common Stock at par value and the excess of the option price over par value is credited to Additional Paid-in Capital.

EXECUTIVE OFFICES
Fourth and Jackson Streets,
Oakland, California 94660

TRANSFER AGENTS
The Chase Manhattan Bank (National Association), New York, New York and the Crocker National Bank, San Francisco, California

REGISTRARS
The Chase Manhattan Bank (National Association), New York, New York
and The Bank of California, National Association, San Francisco, California

ACCOUNTANTS
Peat, Marwick, Mitchell & Co.

10-K REPORT
A facsimile copy of Safeway's 1974 10-K Report filed with the Securities and Exchange Commission may be obtained by writing the Controller at our executive offices.

ANNUAL MEETING
The 1975 Annual Meeting of the Common Stockholders will be held on May 20, 1975. In connection with this meeting, proxies will be solicited by the management. A notice of the meeting, together with a proxy statement and a form of proxy, will be mailed separately to Common Stockholders about April 7, 1975. This Annual Report does not constitute part of the proxy soliciting material.

MANAGEMENT COMMENTS ON SUMMARY OF EARNINGS

Sales increases have exceeded 10% in each of the past five years, as a result of new customers, new store openings and price inflation.

Costs and expenses have also increased each year as a consequence of this additional business, inflation and, in 1974, the change from FIFO to LIFO on U.S. grocery inventories.

Interest expense increased in each of these years as a result of added short term borrowings. Further influences were a long-term debt issue in 1972 and higher interest rates in 1973 and 1974.

Net income increased in the years 1970-72 as a direct result of sales gains. Net income decreased in 1973 due to product shortages, major strikes, and price controls, and in 1974 as a result of the change to LIFO (which reduced the net by $42,302,000 or $1.64 per share).

Safeway Stores, Incorporated and Subsidiaries

Statement of Consolidated Income and Retained Earnings

For the 52 Weeks Ended December 28, 1974 and December 29, 1973

	1974	1973
Sales	$ 8,185,190,000	$ 6,773,687,000
Cost of Sales	6,658,282,000	5,457,097,000
Gross Profit	1,526,908,000	1,316,590,000
Operating and Administrative Expenses	1,370,715,000	1,150,037,000
Operating Profit	156,193,000	166,553,000
Other Income and Deductions		
Income		
Interest received	1,410,000	2,492,000
Earnings of unconsolidated foreign subsidiary	69,000	74,000
Sundry income	1,959,000	1,852,000
	3,438,000	4,418,000
Deductions		
Interest on long-term debt	7,320,000	7,458,000
Other interest expense	10,685,000	4,399,000
(Gain) loss on disposition of fixed assets	(88,000)	1,197,000
Dividends on preferred stock of Canadian subsidiary	167,000	183,000
Amortization of excess cost of investments in subsidiaries	220,000	218,000
Minority interest in earnings of overseas subsidiary	13,000	10,000
Other charges	701,000	189,000
	19,018,000	13,654,000
Income before provision for income taxes	140,613,000	157,317,000
Provision for Federal, Canadian and other Income Taxes	61,408,000	71,046,000
Net Income (per share: 1974, $3.07; 1973, $3.35)	79,205,000	86,271,000
Retained Earnings at Beginning of Period	559,360,000	511,667,000
	638,565,000	597,938,000
Deduct		
Cash dividends on common stock (per share: 1974, $1.70; 1973, $1.50)	43,926,000	38,640,000
Additions resulting from stock acquisitions	(61,000)	(62,000)
	43,865,000	38,578,000
Retained Earnings at End of Period	$ 594,700,000	$ 559,360,000

See financial information included in "Financial Review"

ACCOUNTANTS' REPORT

Peat, Marwick, Mitchell & Co.

To the Board of Directors and Shareholders of Safeway Stores, Incorporated:

We have examined the consolidated balance sheets of Safeway Stores, Incorporated and subsidiaries as of December 28, 1974 and December 29, 1973 and the related consolidated statements of income and retained earnings and changes in financial position for the 52 week periods then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Safeway Stores, Incorporated and subsidiaries at December 28, 1974 and December 29, 1973 and the results of their operations and changes in their financial position for the 52 week periods then ended, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in the method of valuing certain inventories from FIFO to LIFO as of December 30, 1973 as described in the "Financial Review."

2150 Valdez Street
Oakland, California 94612
March 12, 1975

Peat, Marwick, Mitchell & Co.

CONSOLIDATED BALANCE SHEET

As of December 28, 1974 and December 29, 1973

ASSETS	December 28, 1974	December 29, 1973
Current Assets		
Cash	$ 55,977,000	$ 54,395,000
Receivables	28,568,000	27,293,000
Merchandise inventories	659,710,000	591,543,000
Prepaid expenses	52,752,000	35,567,000
Properties for development and sale within one year	19,736,000	29,601,000
Total Current Assets	816,743,000	738,399,000
Other Assets		
Notes receivable, licenses and miscellaneous investments	14,244,000	13,394,000
Unamortized debenture and note issue expense	739,000	927,000
Excess of cost of investment in subsidiaries over net assets at date of acquisition, net of amortization	3,265,000	3,485,000
	18,248,000	17,806,000
Property, at Cost		
Buildings	85,211,000	93,240,000
Leasehold improvements	156,257,000	131,544,000
Fixtures and equipment	819,971,000	722,671,000
	1,061,439,000	947,455,000
Less accumulated depreciation	466,126,000	417,125,000
	595,313,000	530,330,000
Land	59,862,000	54,685,000
	655,175,000	585,015,000
TOTAL	$1,490,166,000	$1,341,220,000

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable to banks, short-term	$ 85,627,000	$ 55,650,000
Current maturities of long-term notes	25,282,000	4,960,000
Payables and accruals	529,744,000	425,810,000
Federal, Canadian and other income taxes	5,405,000	28,247,000
Total Current Liabilities	646,058,000	514,667,000
Long-Term Liabilities and Reserves		
Notes and debentures payable	104,780,000	129,280,000
Deferred income taxes	35,852,000	28,892,000
Minority interest in capital stock and retained earnings of subsidiaries:		
Preferred stock of Canadian subsidiary	3,792,000	4,153,000
Overseas subsidiary	81,000	67,000
Reserve for self-insurance	6,526,000	7,917,000
	151,031,000	170,309,000
Stockholders' Equity		
Common stock	43,092,000	42,995,000
Additional paid-in capital	55,285,000	53,889,000
Retained earnings	594,700,000	559,360,000
	693,077,000	656,244,000
TOTAL	$1,490,166,000	$1,341,220,000

See financial information included in "Financial Review"

Safeway Stores, Incorporated and Subsidiaries

Statement of Changes in Consolidated Financial Position

For the 52 Weeks Ended December 28, 1974 and December 29, 1973

	1974	1973
Funds Provided:		
Net Income	$ 79,205,000	$ 86,271,000
Add charges (credits) to income not requiring funds:		
Depreciation and amortization	80,150,000	69,991,000
(Decrease) increase in reserve for self-insurance	(1,391,000)	985,000
(Gain) loss on disposition of property	(88,000)	1,197,000
Increase in deferred income taxes	6,960,000	5,512,000
Funds provided from operations	164,836,000	163,956,000
Proceeds from sale of properties	117,237,000	47,513,000
Increase in long-term debt	1,765,000	5,945,000
Sale of common stock to employees	1,493,000	2,246,000
	$ 285,331,000	$ 219,660,000
Funds Used:		
Additions to property, net of retirements and miscellaneous equipment sales	$ 257,186,000	$ 202,986,000
Dividends to common stockholders	43,926,000	38,640,000
Decrease in long-term debt	26,265,000	4,788,000
Decrease (increase) in properties for sale within one year	9,865,000	(14,876,000)
Increase in other assets	850,000	1,472,000
Decrease in minority interest, net	286,000	289,000
	338,378,000	233,299,000
Decrease in working capital	$(53,047,000)	$(13,639,000)
Changes in Working Capital:		
Increase (decrease) in current assets:		
Cash	$ 1,582,000	$(16,752,000)
Receivables	1,275,000	8,344,000
Merchandise inventories	68,167,000	118,963,000
Prepaid expenses	17,185,000	7,532,000
Properties for sale within one year	(9,865,000)	14,876,000
	78,344,000	132,963,000
Increase (decrease) in current liabilities:		
Notes payable to banks	29,977,000	55,650,000
Current maturities of long-term notes	20,322,000	563,000
Payables and accruals	103,934,000	88,957,000
Federal, Canadian and other income taxes	(22,842,000)	1,432,000
	131,391,000	146,602,000
Decrease in working capital	$(53,047,000)	$(13,639,000)

See financial information included in "Financial Review"

Safeway Stores, Incorporated

EXECUTIVE COMMITTEE

Robert A. Magowan
Chairman

Ernest C. Arbuckle
J. G. Boswell II
Charles de Bretteville
Roger D. Lapham, Jr.
Merrill L. Magowan
W. S. Mitchell
Quentin Reynolds
W. Maurice Young

DIRECTORS

Quentin Reynolds
Chairman of the Board

Ernest C. Arbuckle
Chairman of the Board
Wells Fargo Bank

J. G. Boswell II
President and Director
J. G. Boswell Company
(Farming and related business)

Henry B. Clay
Senior Vice President

Charles de Bretteville
Chairman of the Board
and Chief Executive Officer
The Bank of California, N.A.

Malcolm P. Grover
Senior Vice President

Lorenzo N. Hoopes
Senior Vice President

Roger D. Lapham, Jr.
Chairman & Managing Director
RAMA Corporation Ltd.
(Insurance brokerage)
Paris, France

Merrill L. Magowan
A Sales Manager of
Merrill Lynch, Pierce,
Fenner & Smith Incorporated
San Francisco

Robert A. Magowan
Chairman of the Executive Committee

W. S. Mitchell
President and Chief Executive Officer

G. H. Parker
Senior Vice President

W. Maurice Young
Chairman of the Board
and Chief Executive Officer
Finning Tractor and Equipment
Company, Ltd.
Vancouver, B.C.

OFFICERS

W. S. Mitchell*
President
and Chief Executive Officer

Henry B. Clay*
Senior Vice President—Retail

Clifford L. Gant*
Controller

Malcolm P. Grover*
Senior Vice President
Personnel, Public Affairs,
Industrial Relations and
Economic Research

Lorenzo N. Hoopes*
Senior Vice President
Supply Operations

Philip G. Horton*
Vice President
Real Estate, Construction and
Engineering, Operations Services

James M. McGinty*
Vice President and Treasurer

G. H. Parker*
Senior Vice President—Retail

Robert J. Van Gemert*
Vice President and Secretary
General Counsel

Jack L. Anderson
Vice President
Retail Division Manager

Paul A. Baumgart
Vice President
Corporate Economist

John Bell
Vice President
Retail Division Manager

F. W. Bird
Vice President
Supply Division Manager

Gerald E. Brown
Vice President
Advertising and Market Research

Carey A. Ford
Vice President
Retail Division Manager

Loyd J. Fox
Vice President
Supply Division Manager

Allen Francis
Vice President
Retail Division Manager

Henry J. Frank
Vice President
Retail Division Manager

Floyd H. Gifford
Vice President
Regional Manager

Frank J. Glasgow
Vice President
Retail Division Manager

Edward N. Henney
Vice President
Supply Division Manager

Robert L. Jaynes
Vice President
Regional Manager

Gordon W. Jones
Vice President
Real Estate

Horace A. Justice
Vice President
Regional Manager

Milton K. Kegley
Vice President
Management Development & Training

Nells V. Lawson
Vice President
Management Information & Services

Harold J. Lekic
Vice President
Retail Division Manager

W. W. Liedtke
Vice President
Retail Division Manager

Robert E. Livesay
Vice President
Retail Division Manager

Dale L. Lynch
Vice President
Retail Division Manager

Robert M. Lyness
Vice President
Retail Engineering

Fred E. MacRae
Vice President
Retail Division Manager

Peter A. Magowan
Vice President
Retail Division Manager

William H. Maloney
Vice President
Retail Division Manager

Pete P. Martin
Vice President
Retail Division Manager

Harold T. Nelson
Vice President
Supply Division Manager

Calvin P. Pond
Vice President
Public Affairs

John H. Prinster
Vice President
Grocery Merchandising

Sam E. Raburn
Vice President
Retail Division Manager

John L. Repass
Vice President
Retail Division Manager

James A. Rowland
Vice President
Regional Manager

Walter J. Schoendorf
Vice President
Supply Division Manager

Earl W. Smith
Vice President
Regional Manager

Sterling P. Smith
Vice President
Supply Division Manager

Eldon W. Starkey
Vice President
Retail Division Manager

Harry Sunderland
Vice President
Real Estate Law and Finance

R. E. Templeman
Vice President
Retail Division Manager

Ralph C. Ward
Vice President
Retail Division Manager

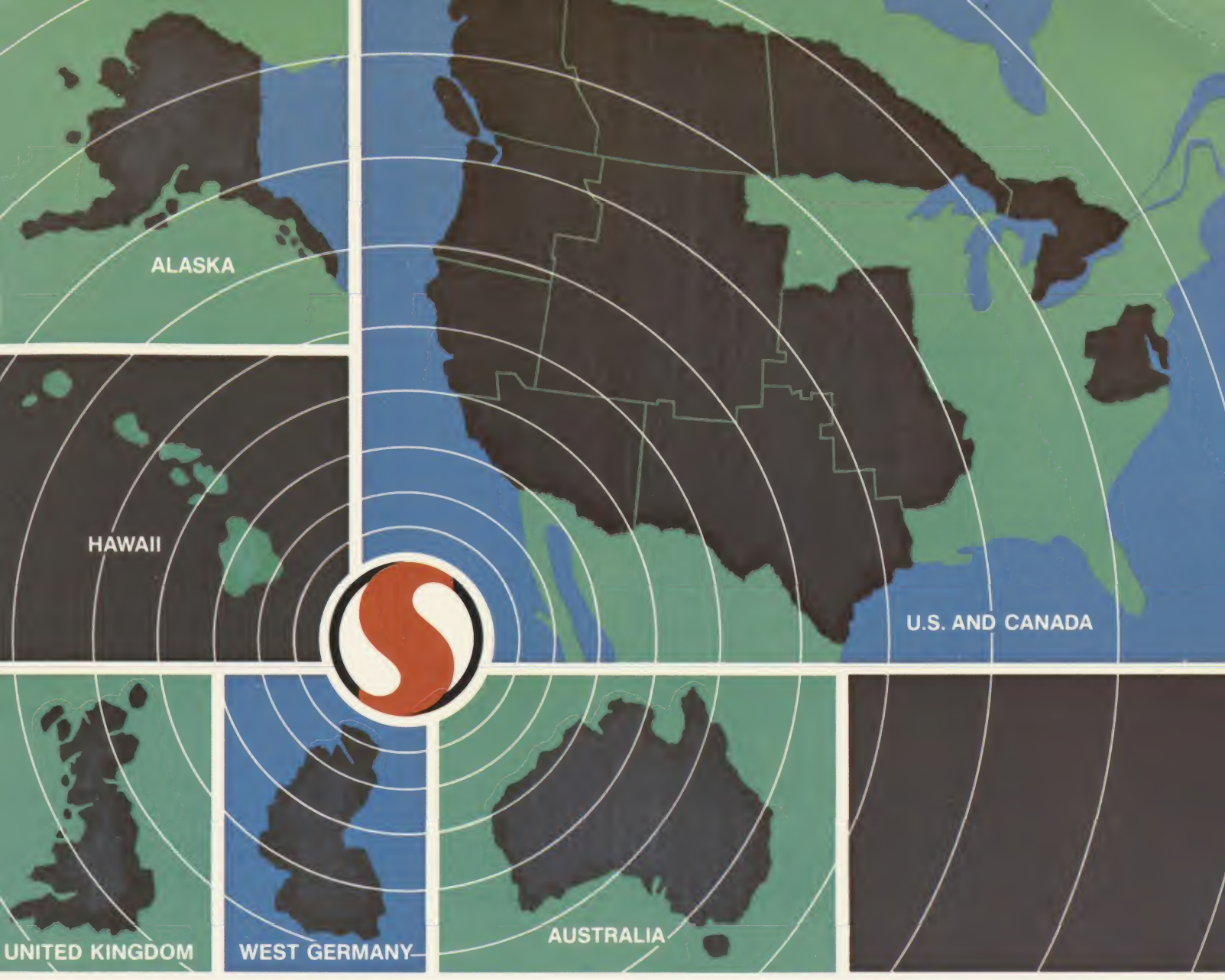
John W. Warthan
Vice President
Retail Division Manager

Herman F. Weber
Vice President
Industrial Relations

Basil M. Winstead
Vice President
Regional Manager

Forrest Woolery
Vice President
Retail Division Manager

*Executive Officers of the Company



REGIONS AND DIVISIONS

As of fiscal year-end Safeway operated 2,426 stores in the United States, Canada, the United Kingdom, West Germany, and Australia. Regional Managers of the Northern California Region (a Sr. V.P.) and the Canada & Overseas Region report to the President, as does Henry B. Clay, Sr. Vice President in charge of the other six regions.

NORTHERN CALIFORNIA REGION
G. H. Parker
SACRAMENTO DIVISION, Frank J. Glasgow, 97 Stores
SAN FRANCISCO DIVISION, Eldon W. Starkey, 206 Stores

NORTHWEST REGION
Earl W. Smith
PORTLAND DIVISION, Fred E. MacRae, 92 Stores
SEATTLE DIVISION, Dale L. Lynch, 119 Stores
SPOKANE DIVISION, William H. Maloney, 39 Stores

ROCKY MOUNTAIN DIVISION
Floyd H. Gifford
BUTTE DIVISION, Harold J. Lekic, 36 Stores
DENVER DIVISION, Pete P. Martin, 150 Stores
SALT LAKE CITY DIVISION, Allen Francis, 65 Stores

SOUTHWEST REGION
Robert L. Jaynes
LOS ANGELES DIVISION, John L. Repass, 170 Stores
PHOENIX DIVISION, Henry J. Frank, 53 Stores
SAN DIEGO DIVISION, John W. Warthan, 76 Stores

SOUTHERN REGION
Horace A. Justice
DALLAS DIVISION, Carey A. Ford, 173 Stores
EL PASO DIVISION, Robert E. Livesay, 57 Stores
HOUSTON DIVISION, Sam E. Raburn, 53 Stores
OKLAHOMA CITY DIVISION, R. E. Templeman, 71 Stores

MIDWEST REGION
James E. Rowland
KANSAS CITY DIVISION, W. W. Liedtke, 105 Stores
LITTLE ROCK DIVISION, Jack L. Anderson, 74 Stores
OMAHA DIVISION, Forrest Woolery, 84 Stores
TULSA DIVISION, Peter A. Magowan, 52 Stores

EASTERN REGION
Basil Winstead
RICHMOND DIVISION, Ralph C. Ward, 72 Stores
WASHINGTON, D.C. DIVISION, John Bell, 170 Stores

CANADA & OVERSEAS REGION
John S. Kimball
PRAIRIE DIVISION, A. G. Anselmo, 113 Stores
TORONTO DIVISION, N. M. Knebel, 14 Stores
VANCOUVER DIVISION, T. Milburn, 94 Stores
WINNIPEG DIVISION, W. F. Griffiths, 50 Stores
AUSTRALIA DIVISION, J. W. R. Pratt, 44 Stores
GERMANY DIVISION, M. J. Filzek, 20 Stores
UNITED KINGDOM DIVISION, T. E. Spratt, 77 Stores

Litho in U.S.A.

Safeway Stores, Incorporated
Oakland, CA 94660

SAN FRANCISCO CALIF.

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